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Communist China - USSR: Peking's announcement yesterday of its agreement to enter talks with the USSR emphasizes its desire to ease the dangerous situation along the frontier.

The two sides have agreed to have vice ministers meet in Peking, but no dates have been announced. The Chinese statement predictably attempted to place the onus for the present border situation on Moscow and stressed China's constant quest for a peaceful settlement of the dispute. Peking's concern over the situation, however, was highlighted by further allusions to "nuclear war threats" by Moscow and a disavowal of any Chinese intention to launch an atomic attack.

The statement renewed the contention that the present boundary is based on "unequal treaties" imposed on China, but omitted Peking's standard demand that Moscow acknowledge this. It stressed that Peking "had never demanded" the return of territory lost to Russia--the least provocative presentation of China's basic position to date. The statement then urged that, in the absence of a final settlement, the "status quo of the border" be maintained and steps, including troop withdrawals, be taken to avert further armed conflict.

The Chinese announcement represents the latest step in a process begun last month at the meeting between Kosygin and Chou En-lai. According to Soviet sources, the two men reached a tentative agreement on border discussions, and since then Peking and Moscow have continued a dialogue on the border situation. Peking initially failed to reciprocate Moscow's stand-down on propaganda following the Kosygin-Chou talks. More recently the Chinese softened their attacks against the USSR during their 1 October National Day ceremonies, and there has been a sharp drop in Peking's domestic anti-Soviet propaganda.

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The proposed border talks will not resolve the fundamental political differences between the two states. Nevertheless, given the tactical flexibility suggested by the Chinese statement, the talks will probably result in steps to reduce the level of tension now existing on the frontier.



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Cambodia: [Prince Sihanouk is growing increasingly irritated over government efforts to limit his administrative role.]

[Sihanouk has up to now maintained a public image of support for the government he installed last August with a special mandate to tackle the country's severe economic problems.]

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[Redacted] On 6 October, Sihanouk publicly criticized what he described as efforts by Deputy Prime Minister Sirik Matak to curtail his constitutional rights as chief of state. Referring to Matak's recent move to cut off his involvement in certain educational matters, Sihanouk accused him of wrongfully trying to assume the palace's responsibilities at a time when Prime Minister Lon Nol was on a leave of absence.]

[The government has been trying to establish what it views as the authority originally given to it by Sihanouk. Cabinet ministers have been instructed, for instance, to ignore orders from Sihanouk's staff, the traditional chain of command, and Sihanouk's access to government funds has been limited. Matak, a critic of Sihanouk's past policies, is the driving force behind much of the cabinet's effort to reduce the pressures of princely dictat. He has sought to assure Sihanouk that his aims are limited, although he has made it clear that he expects a free rein in carrying out his responsibilities.]

[Although Sihanouk clearly believes that his tolerance is being tested, and although he could make changes in the government at any time, he probably would be reluctant to resume the burden of

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economic decision making. Reported attempts by the government to stretch its participation in foreign affairs would particularly annoy Sihanouk, however. Prime Minister Lon Nol, who is soon to return to his post, is more responsive to Sihanouk's sensitivities, and the government will probably ease up on some of its attempts to restrict Sihanouk's activities.



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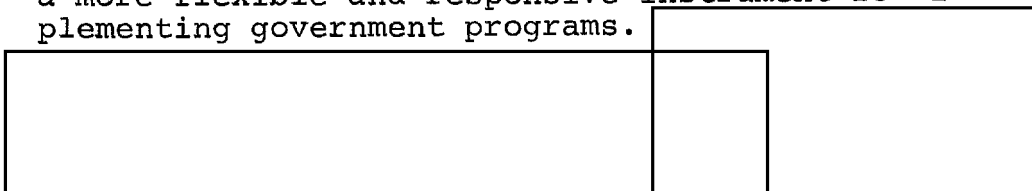
Indonesia: Changes in the structure of the Indonesian military are intended to centralize the authority of President Suharto and the government over the services.

Suharto is expected to retain the post of defense minister and under the reorganization--announced on 5 October--to continue to be commander in chief of the armed forces. In the latter capacity, he would assume operational command of all services, which until now rested with the individual service chiefs.

A vice commander in chief will presumably be selected from the army, by far the largest of the three services. The service commanders are redesignated as chiefs of staff. The reorganization also provides for six joint territorial commands directly under the minister of defense.

A new ministerial staff of seven elements seems likely to replace in great part the service general staffs. It will also centralize the armed forces' special functions in the social and political fields, such as their civic action programs. The reorganization, which will be carried out in stages, is to be operational by April 1970.

In addition to strengthening his control over the military, Suharto wants to make the military a more flexible and responsive instrument for implementing government programs.



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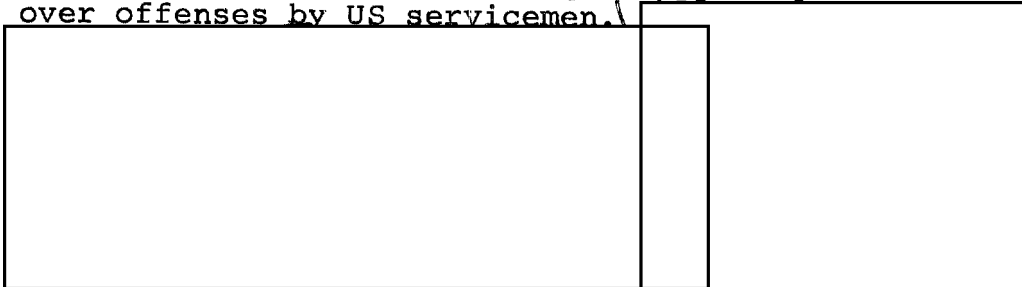
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Philippines: [A US military court's acquittal of a US serviceman who accidentally killed a Filipino has sparked a sharp reaction.]

[Manila press criticism of US insensitivity and the Philippine Government's indifference to the case have been the catalyst for vociferous student demonstrators at the US Embassy. The students may have received encouragement from the presidential palace. President Marcos' lead in the presidential race has slipped, and he is probably ready to capitalize on any issue involving national pride. Opposition candidate Osmena has also found it politic to depart from his generally pro-American stance by deploring the court's action and calling for a revision of the US bases agreement.]

[The Philippine Government is determined to make the renegotiation of the bases agreement the first order of business with the US after the elections on 11 November, and may exploit the popular reaction to the court ruling to further this aim. Although privately acknowledging the economic and security benefits of the bases, Philippine officials want more explicit US recognition of Philippine sovereignty, particularly broader Philippine jurisdiction over offenses by US servicemen.]



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USSR - Middle East: The Soviet press has implied that the US is acting in "bad faith" in the Middle East peace negotiations.

On 2 October, a Pravda editorial signed "Observer"--an indication of high-level authorship or approval--charged that the US had agreed to give Israel more arms at the same time that it was carrying on negotiations with the USSR for a Middle East settlement. The editorial also asserted that Israel's refusal to implement UN resolutions on withdrawal and its rejection of efforts to arrange a settlement were a direct result of US support.

In addition to radio and television commentaries, Izvestiya on 3 October accused the US of "duplicity" by agreeing to new arms deliveries and by encouraging Israel's "mailed fist" policy while talking peace in four-power and US-USSR discussions. Two days later, Pravda asserted that the US was "sabotaging" a political settlement in the Middle East by promising Israel financial, political, and military support. Both Pravda and Izvestiya have also warned that Prime Minister Meir's visit to the US has made a peaceful settlement more difficult than ever.

The articles are clearly intended to hammer home the point that it is US and Israeli intransigence which stands in the way of a settlement. They may also represent genuine Soviet suspicion that the US granted Israel substantial new aid even while the Rogers-Gromyko talks were going on in New York. In addition, the articles reveal Soviet determination to continue full support for the Arab side while pressing for concessions from the US and Israel.



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Arab States - Israel: Clashes continue to occur daily along the cease-fire lines.

Egypt has carried out three air strikes against Israeli targets in the Sinai in the past ten days. Although the attacks apparently caused little damage, Cairo's propaganda machinery has trumpeted them as significant victories. In the latest strike across the Suez Canal on Monday, Egypt reportedly lost three fighters.

In ground action on 3 October, Egypt sent a commando raiding party across the canal.

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Israel, meanwhile, has continued its own air strikes against Egyptian positions along the gulf and the canal.

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A continuation of similar clashes between the Arab and Israeli forces can be expected. Both sides feel compelled to maintain a substantial degree of military activity, although neither wishes to provoke a resumption of full-scale hostilities.

(Map)

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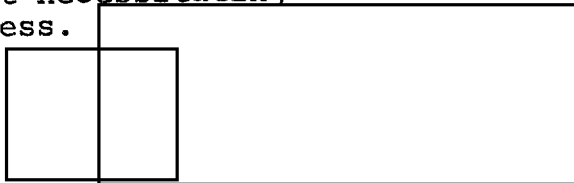
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Peru: President Velasco's harsh attack on the oligarchy, press, and political leaders has stirred fears of repressive moves.

In a nationwide speech on 3 October commemorating the first anniversary of the "revolutionary government," President Velasco lashed out at groups he claims are opposing the "revolution." He charged that the press, directed by oligarchs and politicians, is conducting a propaganda campaign aimed at frustrating the revolution. Most Lima newspapers reacted strongly to the unaccustomed vehemence of Velasco's "impassioned political harangue."

The US Embassy warns that the speech reveals the government's sensitivity to criticism and opposition and that it might signal the beginning of a repressive campaign against the oligarchy, press, and politicians. Some Peruvian businessmen reportedly are also extremely concerned that strong economic controls will soon be instituted.

The military government has not imposed official censorship on the press, but individual editors and reporters occasionally have been arrested and deported, usually for attacking specific members of the government. For the most part the press has heeded this warning and avoided direct criticism of government personalities. It has, however, exerted its right to comment on government actions and programs. Velasco may hope that his veiled threats will now curb criticism of government policy without necessitating an overt attack on freedom of the press.

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USSR-Canada: Soviet Foreign Minister Gromyko has agreed to the resumption of discussions with the Canadian Wheat Board within the next few months. Canada hopes that the Soviets will purchase the 3.5 million tons of grain outstanding under a three-year agreement that expired last July. Although much uncertainty remains as to the size of the Soviet grain harvest, grain supplies from this year's crop plus carryover stocks are believed adequate to meet domestic demands. Some Canadian grain, as in the past, probably will be sent to the Soviet Far East as well as to meet Soviet commitments to Cuba.

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Cyprus: President Makarios has taken a negative stand toward the intercommunal talks by ruling out any further "concessions" to the Turkish Cypriots. The dialogue between the moderate representatives of each side has been going on desultorily for over a year, but has made little real progress. Its future is further clouded by the recent illness of the Turkish Cypriot spokesman. Unless effective pressure can be applied from Ankara or Athens, the present stalemate is likely to continue.

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Italy-Zambia: An agreement providing for Italian technical assistance and training for the Zambian Air Force was signed in Lusaka late last month, and the first contingent of Italian Air Force personnel is scheduled to arrive this week. The Italians will be taking over from the British, whose training mission will end in December at Zambia's request. The stated reason for terminating the agreement with the UK is that British personnel would not be allowed to take part in hostilities that the Zambians fear might be coming from white Southern Africa. There is no indication, however, that the Italians have agreed to fly combat missions. The basic motive for ousting the British is Zambia's dissatisfaction with the UK's policies toward the white minority government in Rhodesia.

Morocco: The demotion of Premier Mohamed Benhima and the nomination of Foreign Minister Ahmed Laraki as his successor seem to be part of the King's practice of constantly reassigning key aides and does not portend a shift from Morocco's generally pro-Western orientation. Benhima's power and influence have been slowly eroding over the past few months, largely as a result of backbiting within the establishment and the shifting of power among various cliques. This is the ninth cabinet reshuffle since mid-1967, and further changes are anticipated.

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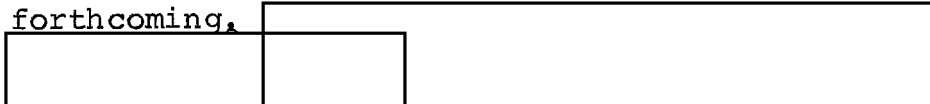
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India: The government has undertaken a series of low-level diplomatic maneuvers to demonstrate its unhappiness over the barring of the Indian delegation from the recent Islamic Summit conference in Morocco. These moves, including recall of the ambassador in Rabat and "reconsideration" of diplomatic and economic relations with Jordan, do not appear to presage any basic change in India's traditional support for the Arabs. Nevertheless, Prime Minister Gandhi probably believes it is necessary to placate the irritated Indian public and to demonstrate to the Arabs, who bowed to Pakistani pressure at the conference, that future Indian backing may not be automatically forthcoming.



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International Agencies - South Africa: A resolution has been submitted to the congress of the Universal Postal Union (UPU) calling for the expulsion of South Africa from the union. The resolution, backed by most African members, states that Pretoria has excluded itself de jure from the international community. Its passage would bolster similar expulsion moves in other UN-related technical agencies. The resolution may, however, be deflected by referring the matter to the UN legal adviser, who has ruled in the past that a UN organ cannot act independently of the UN General Assembly on membership questions.



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